Asset: Periodic Processing
FI-AA-07
Nov. 5, 2008
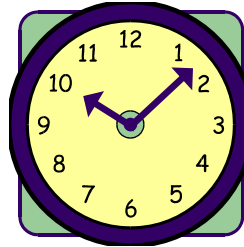
LaGOV

FINAL Version 1.0

Updated: Nov 4, 2008

Logistics

Before we get started ...

FI-AA-07 Asset: Periodic Processing

Blueprint Schedule - Tentative

Workshop ID	Process Area	Date
FI-AA-01	**Asset Classes**	**Aug 14 (Thu)**
FI-AA-02	**Asset Master Records**	**Aug 19 (Tue)** **Aug 20 (Wed)**
FI-AA-03	**Asset Acquisitions and Subsequent Valuations** *(note: Oct 2 is for Infrastructure assets only … merged with Agile Assets)*	**Sept 30 (Tue)** **Oct 1 (Wed)** **Oct 2 (Thur)**
FI-AA-04	**Transfer of Assets**	**Oct 21 (Tue)**
FI-AA-05	**Retirement of Assets**	**Oct 23 (Thu)**

Blueprint Schedule - Tentative

Workshop ID	Process Area	Date
FI-AA-06	Physical Inventory / Bar Coding	Oct 28 (Tue)
FI-AA-07	Periodic Processing	Nov 5 (Wed)
FI-AA-08	Conversion	Nov 18 (Mon) Nov 19 (Wed) Nov 20 (Thu)
FI-AA-Validation	Validation Sessions	Dec 10 (Wed) Dec 11 (Thu)

Blueprint Schedule – Integration Points Tentative

Workshop ID	Process Area	Date
LA-MD-004	**Linear Assets / AMR for GASB** > Merged with 3rd day of FI-AA-003	Oct 2 (Thur)
FI-AP-002	**AP Processing**	Sept 17,18,23 (Wed, Thur, Tues)
FI-AP-006	**Purchasing Cards – Financial Processing**	Oct 30 (Thur)
FI-RE-001	**Real Estate Master Data**	Sept 23-25 (Tue - Thur)
FI-RE-004	**Right of Way Parcels**	**Nov 13 (Thur)**
LOG-MM-009	**Purchase Requisitions – Assets**	Oct 9 (Thur)
FI-PS-009	**Capital Projects – Periodic Processing**	**Nov 12-13** (Wed -Thur)

Note: Additional working session for Capital Leases to be scheduled

Work Session Objectives

1. Define the 'to-be' process for AA periodic processing:

    Daily: APC Value Posting

    Month End: Depreciation Run

    Year End: Recalculate Values (could be mo. end)

                       Fiscal Year Change

                       Year End Closing

2. Security (Roles & Authorization) Requirements?

AS IS.….

AS-IS: Depreciation

Moveable Property

- *OSRAP kicks off a depreciation job in Protégé prior to running financial reports.*
- Depreciation is based on the straight line method with no salvage value.
- *Depreciation occurs for a full year each year regardless of acquisition month / day.*
- *The depreciation job clears out any old depreciation data and recalculates accumulated depreciation based on current dates in the system for historical depreciation.*

Buildings & depreciable Land / Building Improvements

- *Building and depreciable improvements are maintained by OSRAP on a spreadsheet.*
- *New Buildings & Improvements are added throughout the year.*
- *Retired (sold, demolished, etc) are removed from the spreadsheet throughout the year.*
- *Transfer of property between departments throughout the year.*
- *A full year's depreciation is calculated for the entire spreadsheet at the end of fiscal year.*
- Depreciation is based on the straight line method with no salvage value.
- *Additional information is received from certain agencies on their AFR (Annual Financial Report).*

Infrastructure

- *For the Wooster Method each Fiscal year's total Infrastructure Project Expenditures for a given agency (which meets the capitalization threshold), is reported to OSRAP as a lump sum annually.*
- *At the end of Fiscal Year, OSRAP depreciates the lump sums for each of the past 40 years independently by one year.*

…. TO BE

Asset Master Record: TO-BE Update

- Change in AMR approach for record maintenance:
  - Capital Assets will continue to be treated as fully valued asset master records:
    - Valuation will be only via transactional update (e.g. acquisition, transfer, retirement, depreciation, etc. transactions). Asset Value Tab (i.e. Asset Explorer) will contain the transactional detail and various value fields.
    - Capitalization Date will be updated via the initial asset acquisition transaction.
    - Assets will be depreciated (with a few exceptions such as land)
    - Reported on the Balance Sheet / CAFR
  - Low Value Assets will be treated as 'shells':
    - AMR's **will not** be attached to acquisition transactions
    - AMR's will be created after goods are received:
      - Acquisition date(s) will be manually entered
      - Acquisition value(s) will be manually maintained on valuation field(s) (i.e. detail will not be available on the 'Asset Value' tab)

Asset Master Record: TO-BE Update

- ■ Reason for decision change:
  - – Maintain assets for financial and tracking of assets in one database (i.e. similar to Protégé), while using relevant applicable SAP functionality for items such as real estate, maintenance, etc.
  - – Reduce procurement processing issues:
    - • Identifying asset class
    - • Creating and attaching AMR for low value assets at PReq stage (or having approval process responsible for this at PO stage)
      - - reducing number of shells that are not approved for PO
  - – Reduce transaction processing to 'transfer' or 'retire' assets
  - – Reduce financial postings that will not be used for financial reporting (i.e. 'depreciation')
  - – AMR for LVA created after Goods Receipt (will not require multiple create/update steps)

SAP Glossary

- ➢ **Asset Class** - Main criterion for classifying fixed assets according to legal and management requirements.
- ➢ **Asset Master Record (AMR)** – Contains general information and valuation/depreciation rules for a specific item in the Asset Accounting (AA) module. In SAP, it also stores all the values and transaction data for the item.
- ➢ **Main Asset Number** - Unique number, in combination with company code and asset sub number, that identifies a fixed asset.
- ➢ **Sub Asset Number** – Asset record for an individual part of an asset, or subsequent acquisitions, can be represented by a subnumber to a main asset number.

- ➢ **Asset under Construction (AuC)** - An asset that you produce yourself which must be managed as a separate asset master record, generally without depreciation, during the construction phase.

SAP Glossary

> **Asset 'Shell'** – an AMR which does not have the values in the Asset Value Tab (i.e. asset values are not managed via transaction updates). *Note: a Capital Asset record will be a 'shell' until time of acquisition value update.*

> **Incomplete Asset** – an AMR which does not have fields, which have been defined as 'mandatory or required' completed.

> **Capital Asset** - Tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, etc. With a few exceptions (e.g. land), this type of asset will be depreciated or amortized. These types of assets are reported in the Asset section of Balance Sheets.

> **Low Value Asset (LVA)** – Items that do not meet the capital asset criteria and are recorded for tracking purposes only. LVA's can be handled as:

- valued AMR (i.e. cap date and values are integrated via acquisition paths in PS, MM, AA, etc. and transaction updates). Generally, the LVA is fully depreciated in the year of purchase or in the period of acquisition.

- 'shell': the cap date is manually entered. The AMR is not integrated with acquisition paths and asset values are not managed via transaction updates (i.e. no values on Asset Value Tab). Value can be manually maintained in another field

SAP Glossary

➢ **Capital Lease -** A lease that meets one or more financial criteria as defined by FASB. This type of lease considered to have the economic characteristic of asset ownership, thus it is recognized both as an asset and as a liability (for the lease payments) on the balance sheet.

➢ **Operating Lease -** In an operating lease, the lessor (or owner) transfers only the right to use the property to the lessee with the property being returned to the lessor at the end of the lease. This type of lease is treated as an operating expense in the income statement and the lease does not affect the balance sheet.

➢ **Depreciation -** Allocation of original cost of a tangible asset computed over its anticipated useful life, based on its physical wear & tear , and passage of time.

➢ **Amortization -** Writing off of loans or intangible assets in equated annual/monthly installments over a scheduled period.

➢ **Depreciation Area -** An area showing the valuation of a fixed asset for a particular purpose (for example, for individual financial statements, balance sheets for tax purposes, or management accounting values).

➢ **Equipment Master Record (EMR) –** Details recorded for an individual, physical object that is maintained as an autonomous unit in the Plant Maintenance (PM) module.

SAP Glossary

➤ **Screen Layout** – Settings that specifies the fields that are displayed during master data maintenance and the field entry characteristics (e.g. required, optional, display only). Field entry characteristics are also referred to as 'Field Status'.

➤ **Account Assignment** – Settings which determines which general ledger accounts to post to from a business transaction. Sometimes referred to as 'Account Determination'.

➤ **Account Determination** – see 'Account Assignment'

➤ **Post Capitalization** – Correction of asset value, which was either set too low because capitalization was not performed in the past, or which was treated entirely as expense.

➤ **Goods Receipt (GR)** - A term from inventory management denoting a physical inward movement of goods or materials. It is usually triggered by a document that denotes the delivery of goods from a vendor to a company. For assets, the AMR valuation occurs at either time of GR or IR.

➤ **Invoice Receipt (IR)** - A term from Invoice Verification describing the receipt of an invoice issued by a vendor (creditor). For assets, the AMR valuation occurs at either time of GR or IR.

SAP Glossary

- ➢ Project System – Module that allows the user to plan, execute and account for a project.
- ➢ WBS Element - Work Breakdown Structure – Forms the basis for the coordination and organization of a project. It is the Hierarchical outline of a task, item or process, described in the project definition.
- ➢ Settlement - Full or partial allocation of costs from one object to another (e.g. from WBS to AuC, from AuC to final AMR)
- ➢ Write-up – Financial valuation adjustment which increases the asset net book value via adjustment to depreciation posted. Reasons for adjustment include excessive past depreciation or reversal of unplanned depreciation.

- ➢ Unplanned depreciation – Financial valuation adjustment which decreases the asset net book value via adjustment to depreciation posted. Reasons for adjustment include unexpected permanent reduction in the worth of the asset due to damage, technical obsolescent, etc.
- ➢ Transaction Type (TType) - An object that classifies the business transaction (e.g. acquisition, retirement, or transfer), determines how the transaction is processed in the SAP system and defines how the posting is reported in the asset history sheet (i.e. which column). All capital asset financial postings require a transaction type.

SAP Glossary

➢Transaction Variant: A transfer variant is used in transfer transactions to identify the:

▪ combination of retiring and acquiring transaction types

▪ method of valuation for the receiving asset

▪ data fields to be copied from the sending to the receiving asset (if a new AMR).

➢Transfer: A transfer is a of partial or complete movement of an asset from a physical, financial or responsibility / ownership perspective. This can include a change in tracking location, responsibility/ownership, splitting of an asset/moving part of an asset to another asset.

➢Transfer Transaction: In SAP, this is used to record asset movements that have a financial impact. This can be due to account coding/funding, splitting up or moving part of an asset to another asset, or correction of a posting (e.g. to wrong asset class, financial recording).

▪ *Transfers without a financial/funding impact can often be recorded by a change to AMR field (e.g. room, proposed new fields for location, position/non-state person. unit, etc.)*

▪ *There are special types of 'transfers' called 'settlements' which are used to move values (e.g. from WBS to AuC, AuC to final asset) – these use different business processes/SAP transactions.*

SAP Glossary

➢Retirement: Asset retirement is the removal of an asset or part of an asset from the asset portfolio. When an asset is 100% retired, the deactivation date for the asset should be defined.

➢Physical Inventory: Methodical review and recording of the quantities and amounts relating to the asset portfolio

➢Parallel Valuation: Assets that have multiple depreciation areas (e.g. Modified & Full Accrual) have parallel valuation. The values for each area are calculated, in parallel, according to the 'rules' for that area.

➢ APC: Acquisition and Product Costs (i.e. asset acquisition values)

➢ Month End: An accounting procedure undertaken at the end of the fiscal period (e.g. month) to close out the current posting period. It is part of a company's closing operations. Types of accounting procedures addressed in month-end closing can include depreciating fixed assets, reconciling inventory discrepancies, settling work in progress material, posting billing documents, and payroll.

➢ Year End: An accounting procedure undertaken at the end of the fiscal year to close out business from previous fiscal year, carry forward balances from previous fiscal year, and open posting accounts for the upcoming fiscal year. Year-end closing is part of a company's closing operations, and is used to create a company's financial statements.

Asset Financial Life Cycle

Asset Master Record (AMR)

Acquisition → **Use of Asset** *e.g. depreciation* → **Retirement**

Asset Movement or Change
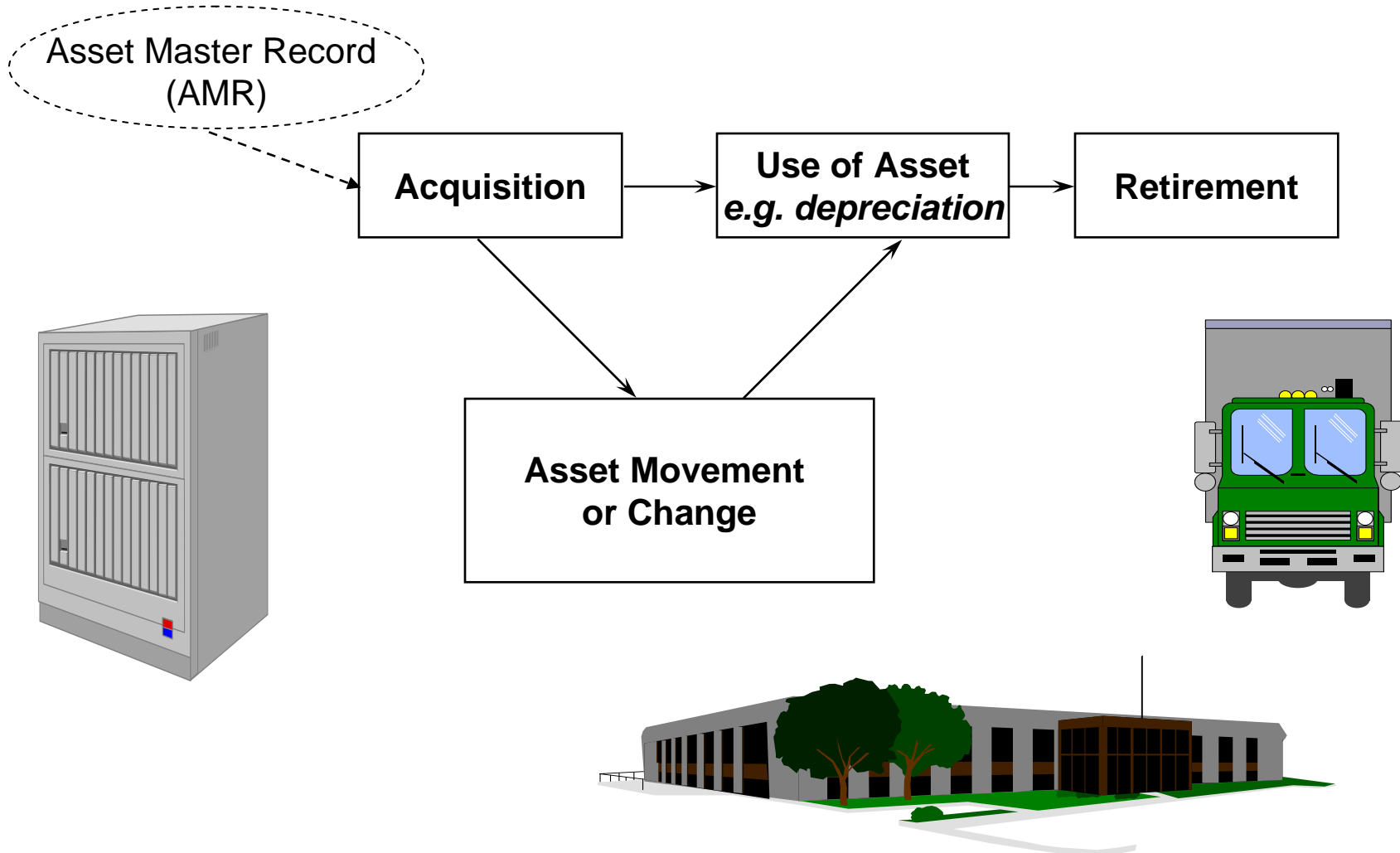
Asset Master Record

- What is it?

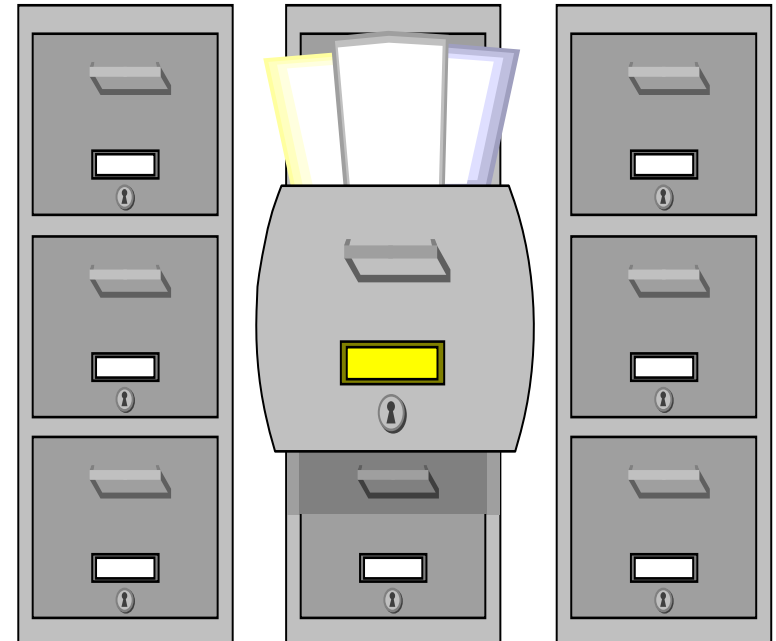- What type of information is stored?

Asset Master Record

What is it?

- Method by which detailed general and financial information about each asset is stored

Asset Master Record

What type of information is stored?

Asset Class	Asset No.

General Asset Detail

Asset Depreciation Rules

Asset Values

AMR – Initial Screen

- *Create an Asset Master Record*

Create Asset: Initial screen

| Master data | Depreciation areas |

Asset Class	₫TEST
Company Code	0008
Number of similar assets	1

Reference

Asset	
Sub-number	
Company code	

☐ Post-capitalization

- *Change or Display an Asset Master Record*

Change Asset: Initial screen

| Master data | Depreciation areas | Asset values |

Asset	
Subnumber	0
Company Code	0008

TO-BE: Search Options

- **Multiple matchcode choices**
  - Wildcards available

Display Asset: Initial screen

Master data	Depreciation areas	Asset values

Asset

Subnumber   0

Company Code ☑

Main Asset Number (1)   4 Entries found

Names and classes	Cost center	Inventory number

✔ Names and classes
Cost center
Inventory number
Investment Orders
Investment Projects
Group assets
Fund, Functional Area

Company Code   ▬ M101

Asset Class

Description

Acct determination

Capitalized on

Asset   ▣ 6*1*

Subnumber

Maximum No. of Hits   500

Company Code: M101

Class	Asset description	Acct....	Cap.date	Asset	SNo.
160005	CAPITAL INTEREST	160005	01.07.2003	60001	2004
160005	LAPPTOP FOR WBS 3	160005	00.00.0000	60010	0
160005	OLD COMPUTER PRINTER	160005	01.07.2003	60001	0
169999	ASSET LINE ITEM	160005	00.00.0000	60011	0

4 Entries found

Main Asset Number (1)Personal Value List: Main Asset Number (1)   1 En

Cost center	Inventory number	Investment Orders

Company Code   ▬ M100 ▾

Inventory number

Asset Class

Description

Asset

Subnumber

Maximum No. of Hits   500

Asset Master Record – General Detail

- **Stores concrete detail information about your asset including:**
  - Informative detail
  - Financial posting
  - Financial calculation parameters
  - Integration linkages
  - Etc.

Asset Class	Asset No.
General Asset Detail	
Asset Depn. Rules	
Asset Values	

- **Uses 'Tab' format to access data elements**

FI-AA-07 Asset: Periodic Processing

AMR – General Information *(sample)*

FI-AA-07 Asset: Periodic Processing

AMR – Time Dependent Data *(sample)*

Asset	INTERN-00001	0					
Class	ZTEST		Z_All fields open		Company Code	0008	

General | **Time-dependent** | **Allocations** | **Origin** | **Net Worth Tax** | **Insurance** | **Leasing** | **Deprec. Areas**

Interval from 01.01.1900 to 31.12.9999

Business Area	☐
Cost Center	
Resp. cost center	
Activity Type	
Int. order	
Maintenance order	
Plant	
Location	
Room	
Tax Jurisdiction	
License plate number	
Personnel Number	
Shift factor	
Functional Area	
Real Estate Key	

☐ Asset shutdown

Note: Additional fields will be available for Fund, Fund Center, Grant.

FI-AA-07 Asset: Periodic Processing

AMR – Allocations *(Sample)*

AMR – Origin, Net Worth Tax, Insurance *(Samples)*

AMR – Leasing *(Sample)*

Asset	INTERN-00001	0			
Class	ZTEST		Z_All fields open	Company Code	0008

| General | Time-dependent | Allocations | Origin | Net Worth Tax | Insurance | Leasing | De |

Leasing

Leasing company		
Agreement number		
Agreement date		Notice date
Lease start date		Lease length	/
Type		
Base value as new		USD
Purchase price		USD
Supplementary text		

No. lease payments		
Payment cycle		☐ Advance payments
Lease payment		USD
Annual interest rate		
Present Value	0.00	USD

Asset Master Record – Depreciation Rules

- **Stores detail information about depreciation calculation:**
  - calculation parameters
  - useful life
  - depreciation start date
  - Etc.

- **Data stored for each Depreciation Area**
- **Relevant to Capital Assets only**

Asset Class	Asset No.
General Asset Detail	
Asset Depn. Rules	
Asset Values	

FI-AA-07 Asset: Periodic Processing
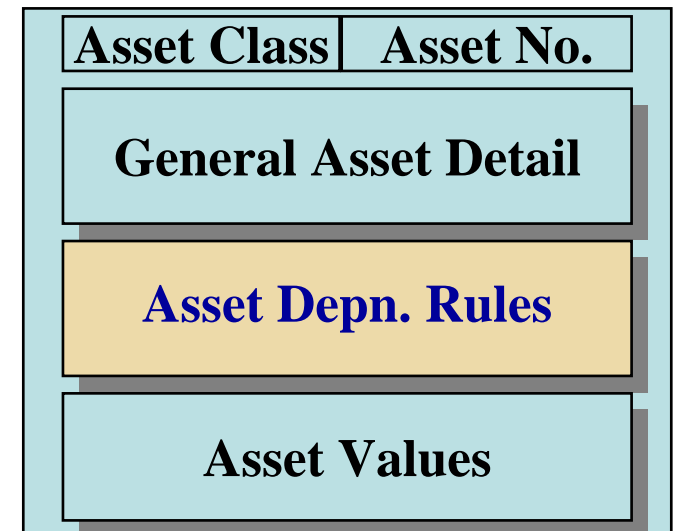
AMR – Depreciation Area Detail *(Sample)*

Used for Depreciation Calculation: – including linkage to rules defined as part of configuration

Deact	A..	Depreciation area	DKey	UseLife	Prd	ODep Start	Index	Group
☐	01	Book deprec.	LINA	1				☐

Asset INTERN-00001 | 0
Class ZTEST
Area 01 Book deprec.

Z_All fields open — Company Code 0008
Book depreciation

Interval from 01.01.1900 to 31.12.9999

General Specifications
Depreciation Key — LINA — Str.-line via acq.value below zero
Useful life — 1 /

Start of Calculation
Ord.dep.start date
Spec.depreciation
Int. Calc.
Operating readiness

Original useful life — /
Changeover year — /

Additional Specifications
Index series
Age-dependent index
Variable dep.portion
Scrap value — USD
Scrap Value %
☑ Neg. Vals Allowed
Acquis.year

Not applicable to depreciation for State

Asset Master Record – Values Tabs

- Stores data for each Depreciation Area
  - Values for the AMR (planned and actual)
  - Depreciation posting status (and amount)
  - Integration objects (with drill down ability)
  - Transactions
- Values derived from transactions and asset master record details
  - Cannot manually update the Asset Values tab fields
- Cannot configure screen layout or this section of AMR
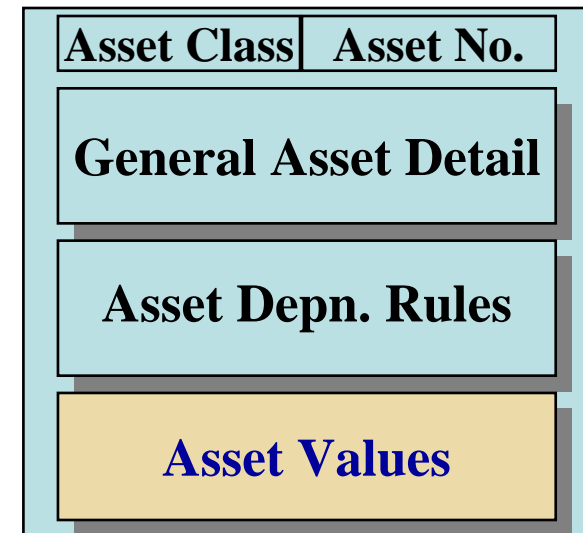
IMPORTANT:
  - Valid for Capital Assets only
  - Low Value Assets – limited valuation fields to be developed

Asset Class	Asset No.
General Asset Detail	
Asset Depn. Rules	
Asset Values	

Asset Master Record – Values Tabs

- Many 'views' for analysis purposes

- Multi year and/or depreciation area comparison

- Depreciation simulation for asset

- Drill-down to more details, such as:

  - AA, FI & other related documents

  - rules defined in IMG

  - depreciation calculation

AMR – Asset Value Display *(Sample)*

Asset Explorer

Company Code: 0008 — IDES US INC New GL 8
Asset: 2 — 0
Fiscal year: ◀ 2008 ▶

Asset 0008-2/0000
- Depreciation Areas
  - 01 Book depreciation
  - 50 Derived area

Search for related objects ...

e.g. links to:
- *PO, if applicable*

Tabs: Planned values | Posted values | Comparisons | Parameters

Planned values Book depreciation

Value	Fiscal year start	Change	Year-end	Crcy
APC transactions				USD
Investment support				USD
Revaluation				USD
Transfer reserve				USD
Acquisition value				USD
Ordinary deprec.				USD
Special depreciation				USD
Unplanned dep.				USD
Write-up				USD
Value adjustment				USD

No postings for selected fiscal year

Planned values Book depreciation

Value	Fiscal year start	Change	Year-end	Crcy
APC transactions				USD
Investment support				USD
Revaluation				USD
Transfer reserve				USD
Acquisition value				USD
Ordinary deprec.				USD
Special depreciation				USD
Unplanned dep.				USD
Write-up				USD
Value adjustment				USD
Reval. ord. depr.				USD
Net book value				USD
Interest				USD
Down payments				USD

Sample detail if transactions available for AMR

Transactions

AsstVal date	Amount	TType	Transaction type name	Crcy
14.07.2008	100.00	100	External asset acquisition	USD

AMR – Asset Value Display *(Sample)*

Asset: Periodic Processing

Asset Financial Lifecycle

Asset Master Record (AMR)

Acquisition via:
- Purchase – PReq/PO <MM>
- Purchase, Invoice w/out PO <AP>
- Build – WBS <PS>
- Donation <AA>
- Correction <AA>
- **Transfer <AA>**
- Capital Lease (separate session)

Use of Asset
e.g. depreciation

Retirement

Asset:
- **Transfer (financial change)**
- **Movement**
- **Master Data Change**
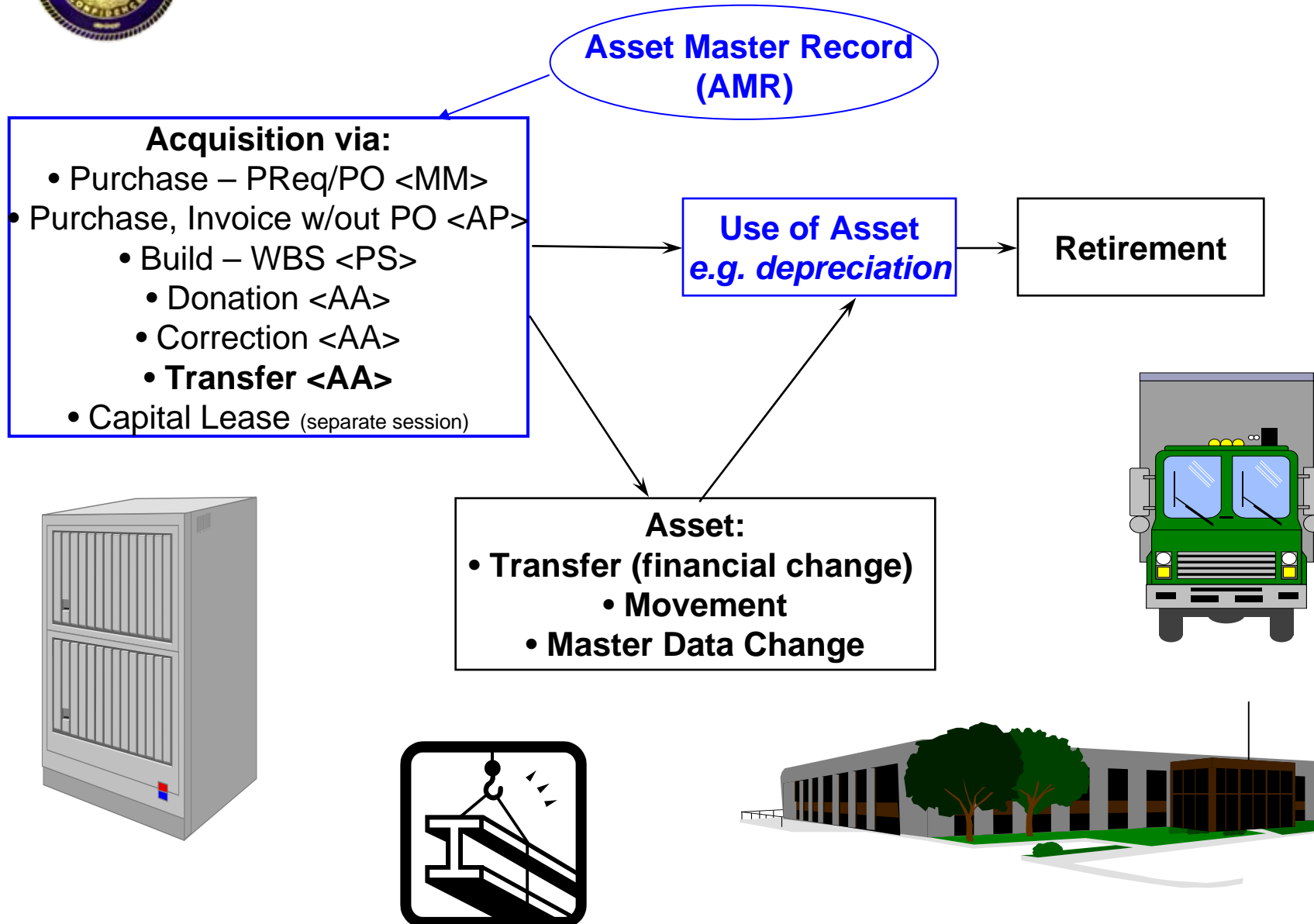
AA Transactions

Periodic Processing

Depreciation Calculation

- **All capital assets:**
  - Some assets have no depreciation calculations (e.g. land, non-depreciable land improvements, low value assets)
  - No delayed depreciation start based on 'in service' date
  - No salvage value included in depreciation calculations
  - No shutdown or shift calculation required
  - No planned retirement dates required for simulation
  - No depreciation simulation required

- **Modified Accrual Depreciation (i.e. DA 01):**
  - Full depreciation taken in month of acquisition

- **Full Accrual Depreciation (i.e. DA 02):**
  - Straight line
  - Useful life based on asset class (and can be overwritten if required)
  - Full year of depreciation in year of acquisition

Capitalization Threshold Listing by Class

Capital Asset – LAND & BUILDINGS	Threshold	Life (yrs)
Land/Non-Depreciable Land Improvements	N/A	N/A
Right of Way (ROW)	N/A	N/A
Depreciable Land Improvements	$100,000	20
Buildings & Improvements	$100,000	40
Leasehold Improvements	$100,000	Varies
Capital Asset – MACHINERY & EQUIPMENT	Threshold	Life (yrs)
Software (Purchased or Licensed)	$1,000,000	3
Software (Internally Developed)	$1,000,000	3
Historical Treasures & Works of Art	NA	N/A
Capital Asset – MACHINERY & EQUIPMENT	Threshold	Life (yrs)
Automobiles	$5,000	5
Other Vehicles (Motorcycles, ATVs)	$5,000	5
High Mileage Automobiles	$5,000	3
Trucks (light general purpose)	$5,000	5
Trucks (heavy general purpose)	$5,000	6
Buses	$5,000	9
Tractor Units (over the road)	$5,000	5
Trailers & Mounted Containers	$5,000	6
Marine & Watercraft over 26'	$5,000	18
Marine & Watercraft 26' & under	$5,000	18
Airplanes	$5,000	6
Mobile Structures	$5,000	10

Capitalization Threshold Listing by Class

Capital Asset – MACHINERY & EQUIPMENT	Threshold	Life (yrs)
Hogs (breeding)	$5,000	*4*
Sheep & Goats (breeding)	$5,000	*5*
Dairy Cattle (breeding)	$5,000	*7*
Horses (breeding)	$5,000	*10*
Horses (non breeding or work)	$5,000	*12*
Animals, Other	$5,000	*7*
Capital Asset – MACHINERY & EQUIPMENT	Threshold	Life (yrs)
Radio/TV Broadcasting Equipment	$5,000	*6*
Telephone Station Equipment	$5,000	*10*
Telephone Central Office Equipment	$5,000	*18*
Recreation Assets (entertainment svcs for a fee)	$5,000	*10*
Computers and Peripheral Equipment	$5,000	*5*
Voting Machines	$5,000	*10*
OTM routers and switches???	$5,000	*??*

Capitalization Threshold Listing by Class

Capital Asset – MACHINERY & EQUIPMENT	Threshold	Life (yrs)
Office Furniture and Fixtures	$5,000	*10*
Office Machinery and Equipment	$5,000	*6*
Printing and Publishing Equipment	$5,000	*10*
Construction Equipment	$5,000	*6*
Medical Equipment	$5,000	*5*
Agricultural Assets	$5,000	*10*
Assets Used In Research/Experimentation	$5,000	*10*
Law Enforcement Equipment	$5,000	*??*
Other Machinery & Equipment (generators, shop equip, etc)	$5,000	*??*
Capital Asset – INFRASTRUCTURE	Threshold	Life (yrs)
Infrastructure (more detailed categorization tbd)	$3,000,000	40
Capital Asset – ASSETS UNDER CONSTRUCTION (AuC)	Threshold	Life (yrs)
AuC - Buildings	N/A	*N/A*
AuC - Capitalized Buildings	will meet capital asset criteria	*N/A*
AuC - Infrastructure	will meet capital asset criteria	*N/A*
AuC – Equipment	will meet capital asset criteria	*N/A*
AuC – Software	will meet capital asset criteria	*N/A*

Capitalization Threshold Listing by Class

Capital Asset – Capital Lease	Threshold	Life (yrs)
Land	NA	?
Buildings	NA	?
Office Space (partial building)	NA	?
Equipment	NA	?
Capital Asset – INTANGIBLE ASSETS*	Threshold	Life (yrs)
Easements	** See Note	** See Note
Water Rights	** See Note	** See Note
Timber Rights	** See Note	** See Note
Patents	** See Note	** See Note
Trademarks	** See Note	** See Note
Software?	** See Note	** See Note
Mineral Rights	** See Note	** See Note

*** NOTE: Still under OSRAP review*

Depreciation Calculation

- Depreciation expense posting:
  - To **Cost Center** that 'owns' the asset?
    - Does the owning cost center at year end get the entire year's depreciation (even if the item was transferred only in Period 12)?

  - *Note: the 'cost center' on the AMR will also get the following postings:*
    - *Loss due to scrapping*
    - *Gain/loss due to asset retirements (? moveable assets – OSRAP discussion required)*
    - *'Revenue' (i.e. offset account) from:*
      - *post-capitalization*
      - *write-ups (all depreciation types)*

Depreciation Calculation

- **Depreciation averaging convention:**
  - Leave as 'from beginning of acquisition year'?
  - Alternately, should the method be changed to 'month after acquisition', 'month of acquisition' (will impact depreciation calculation at time of go-live and will requires note to financial statement)?

- **Frequency of depreciation posting:**
  - Currently posted only at year end, could continue with this, but, recommend monthly posting based on full year depreciation rule?

Depreciation Calculation

Catch-Up/Smoothing Method Comparison (based on asset with useful life of 10 yrs):

▪ Graphic demonstrates depreciation posting impact for catch-up and smoothing methods (i.e. distributing forecasted depreciation over the posting periods), for an acquisition made at the start of the fiscal year with the following parameters:

– Depreciation posting cycle: Monthly
– Period control: Half year convention
– Acquis. on May 5, 1996 (asset value date) 12,000
– Depreciation start date: Jan 1,1996
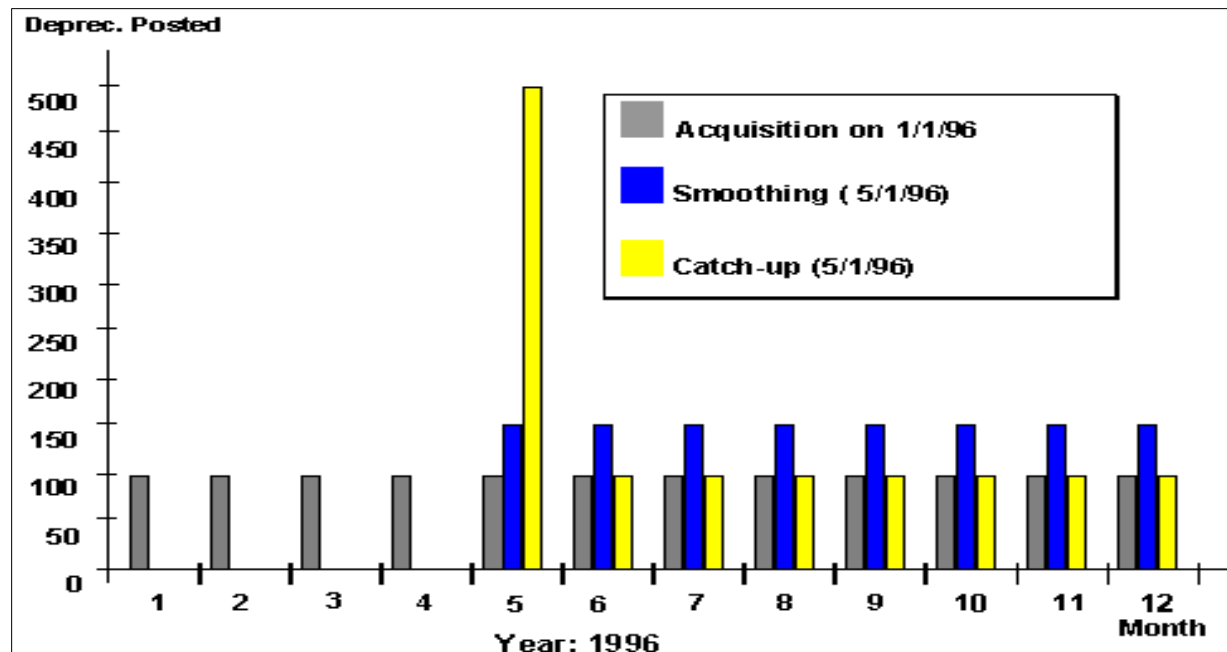
Depreciation Calculation

- **Catch Up Method:** posts difference between depreciation planned and already posted
  - Repeat depr. run & value changes made to asset - system recalculates depr. for asset.

- **Smoothing Method:** based on distributing difference between planned and already posted depr., to the remaining posting periods.
  - Repeat depr. run & value changes made to asset – asset depr. not adjusted (i.e. will be 'smoothed' out next depreciation run)
  - Caution: if asset is retired during fiscal year (partial or complete retirement) smoothing does not distribute depreciation only up to retirement date; it distributes depreciation up to end of year.

Catch-Up → → → → →

Acquisition posted in period 5	12000
Depreciation start in period	1
Planned annual depreciation	1200
Deprec. posted up to period 5	0
Planned deprec. up to period 5	500
Deprec. to post in period 5 =	(500-0) = 500
Deprec. to post per period (6-12) =	(700/7) = 100

···*Smoothing*¹

Acquisition posted in period 5	12000
Depreciation start in period	1
Planned annual depreciation	1200
Deprec. posted up to period 5	0
Remaining periods, incl. period 5	8
Deprec. to post per period (5-12) =	(1200-0)/8 = 150

- Which is the preferred distribution alignment?

Periodic Processing Document Types

- Document Types:
  - reflect the different business transactions in an organization and can be used for evaluation/analysis purposes
  - determines where the document is stored and specifies parameters such as:
    - Which account types can be posted in a document (e.g. asset, customer, vendor, g/l)
    - Which interval is used for document number assignment
    - Whether document number is assigned externally or internally
    - Whether document type can be used online or only for batch input.

  - SAP supplies some document types for specific processing purposes or requires that a document type be dedicated for certain types of processing:
    - SAP supplies document type:
      - AA for asset postings
      - AF for depreciation posting
    - SAP requires that a unique document type be assigned to APC Values Posting:
      - Consider using 'AZ' or value within Project guidelines for APC Values Posting

Asset: Periodic Processing

- **What is asset 'periodic processing'?**
  - Refers to recurring types of asset accounting processes (e.g. month end depreciation and year end asset closing), which are scheduled as part of the financial calendar and impact the financial reporting of assets (e.g. CAFR)
    - This is not the day-to-day operational management of assets (including the transactions for acquisition, transfers, retirements, etc.).
  - These processes are generally:
    - 'Transparent' to the operational end users (except for the predecessor tasks they must complete in a timely fashion, such as post acquisitions, transfers, retirements, etc.)
    - Critical for financial end users as they impact reporting ability.

Asset: Periodic Processing

- What is asset 'periodic processing'?
  - Generally, these tasks should be scheduled for controlled processing as part of the events planned in the financial calendar:
    - Day End:
      - APC Values Posting
    - Month End:
      - Depreciation Run
    - Year End:
      - Recalculate Depreciation
      - Fiscal Year Change
      - Year End Closing
    - Other?

Asset: Periodic Processing

- **What is asset 'periodic processing'?**
  - The processing for these tasks may require a 'test run' to review the posting results and address errors prior to actual posting.
    - Where a 'test run' is available, it is strongly recommended that this functionality be used – to avoid additional processes that may be necessary if erroneous postings are made OR to avoid delays in final processing due to error stops.
  - All processed values must be reviewed to ensure posting completeness and accuracy.
    - If errors have occurred, they MUST be resolved in a timely – else they may result in more serious errors/additional resolution effort at a later date.

Asset: Parallel Valuation

- **What is asset 'parallel valuation'?**
  - Assets that have multiple depreciation areas (e.g. Modified and Full Accrual) have parallel valuation:
    - The values for each area are calculated, in parallel, according to the 'rules' for that area.
    - Additional depreciation areas that require posting to the general ledger will require an additional posting process (which is generally scheduled to be processed after business hours).

Asset: Parallel Valuation

How will 'parallel valuation' be handled in SAP?

- Capital Assets:
    - Asset transaction required:
        - **APC Values Posting:**
            - Must be run for the entire company
            - Generally scheduled as an overnight 'job'
            - 'Test run' functionality enables review and correction of errors prior to the update posting (can be asset specific or entire company)
            - Updates DA 02 values in the general ledger
            - APC posting log identifies the asset master and G/L update details. It must be:
                - » reviewed – if errors occurred, must be addressed and resolved
                - » stored – this is your audit trail

- Low Value Assets:
    - Not applicable

Asset: Parallel Valuation

TO-BE HIGH LEVEL PROCESS: AA Day End Closing – APC Values Posting
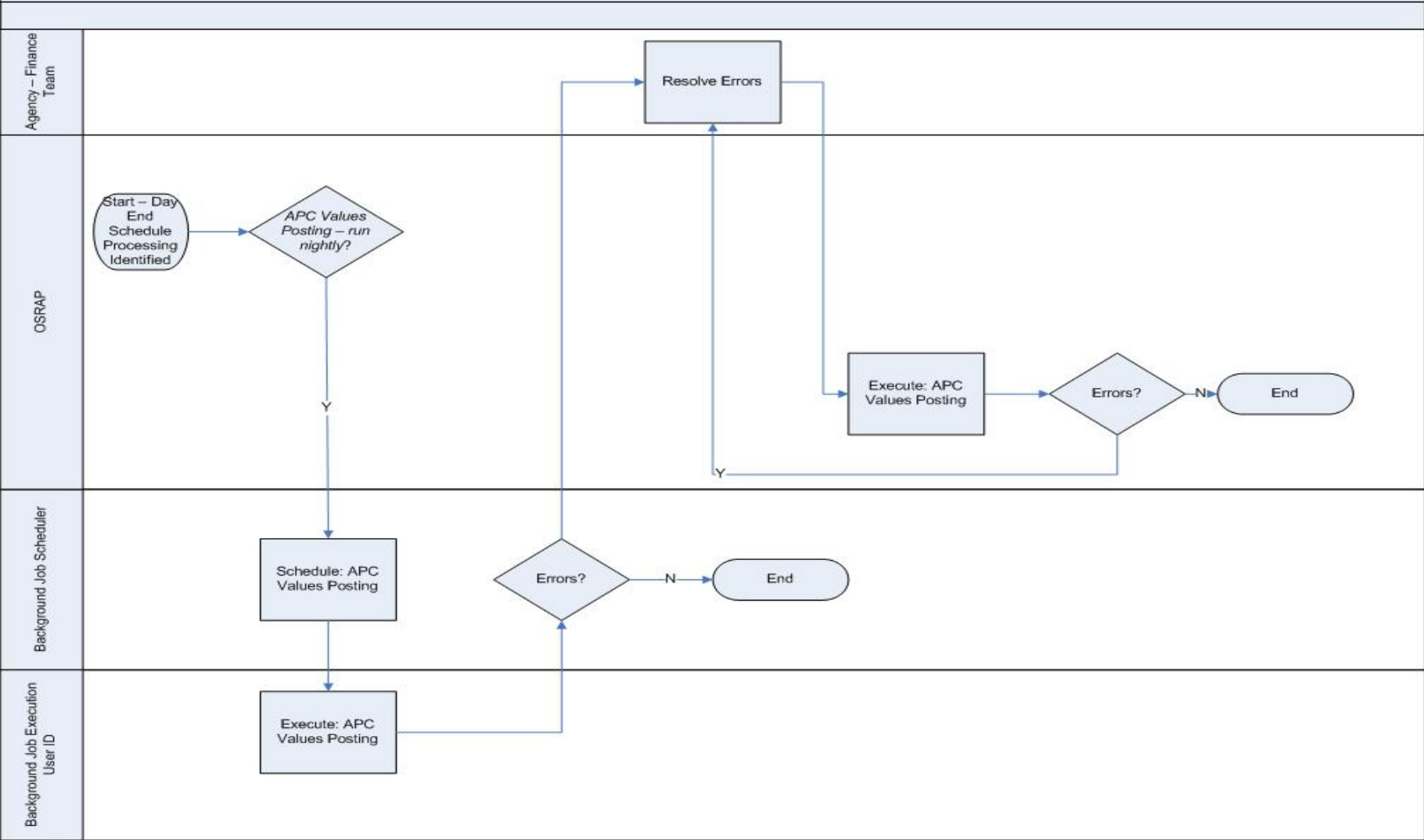
Asset: Depreciation 'Run'

- ▪ What is an asset 'depreciation run'?
  - – Planned depreciation is posted directly to the general ledger when you run the periodic depreciation posting run.
  - – Depreciation values are calculated for each asset, however, the financial posting is done on a summary basis (e.g. g/l account, cost center, fund, etc.).

Asset: Depreciation 'Run'

How will 'depreciation run' be handled in SAP?

- Depreciation posting should generally be a single posting per period, however, there may limited instances where it will be necessary to repeat a depreciation run for a period.
  - Repeat runs will only calculate and post depreciation for assets that did not have depreciation posted in the initial run (exception is asset that have changes and catch up method is used).

- Details of the individual asset depreciation calculation and financial posting to general ledger are documented in the 'Depreciation Log':
  - Generated as part of depreciation run
  - Can be regenerated at a later date (for entire company or asset specific)

Asset: Depreciation 'Run'

How will 'depreciation run' be handled in SAP?

- Capital Assets:
  - Asset transaction required:
    - **Execute - Depreciation Run:**
      - Generally scheduled as part of the month end financial calendar
      - Must be run for the entire company
      - Often is a scheduled 'job'
      - 'Test run' functionality enables review and correction of errors prior to the update posting (can be asset specific or entire company)
      - Update posting log (i.e. Depreciation Log) identifies the asset master and G/L update details. It must be:
        - » reviewed – if errors occurred, must be addressed and resolved
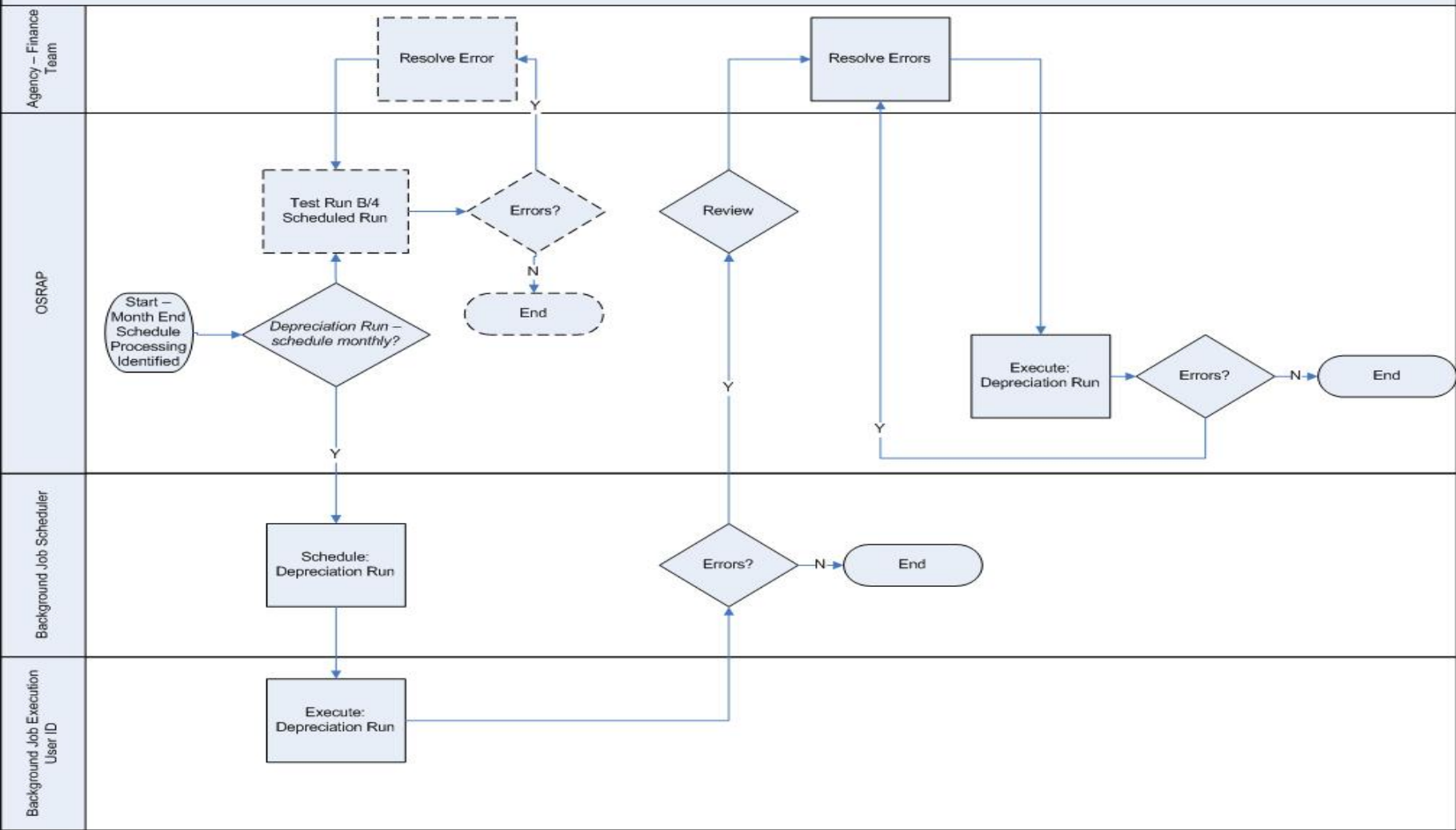   - » stored – this is your audit trail

- Low Value Assets:
  - Not applicable

Asset: Depreciation 'Run'

TO-BE HIGH LEVEL PROCESS: AA Month End Closing – Depreciation Run

Asset: Year End Processing

- What is asset 'year end processing'?
  - Year-end closing includes the annual reporting which is required to meet the legal obligations of a country. This includes an annual balance sheet, an annual profit and loss statement, an appendix with additional information (annual report) and other reporting specific to the country.
    - e.g. CAFR
  - Asset year end processing is a combination of transactions which must be performed in a specific sequence to:
    - Enable asset postings to occur in the new fiscal year
    - Close the fiscal year to new asset postings
  - Processing steps are included in the financial year end closing schedule
  - Complete asset transaction processing (e.g. acquisitions, transfers, settlements, retirements, etc.) prior to final depreciation run for the year.
  - Must be performed in combination with other financial year end closing processes (e.g. FI year end close).

Asset: Year End Processing

How will 'year end processing' be handled in SAP?

- **Capital Assets:**
  - Includes a series of processes that must be completed in a specific sequence and in combination with other closing processes (e.g. FI).
  - Is similar to month end process, however, has additional year end processing steps:
    - AA/GL reconciliation – generally, this should be part of a month end closing process.
    - Housekeeping of unnecessary asset shells (e.g. block, consider renaming with 'Z' preface in description, etc.)
    - Asset transactions required:
      - Recalculate Depreciation
      - Fiscal Year Change
      - Year End Closing

Asset: Year End Processing

How will 'year end processing' be handled in SAP?

- Low Value Assets:
    - Not applicable – no transactional updates

- Capital Assets:
    - Includes a series of processes that must be completed in a specific sequence and in combination with other closing processes (e.g. FI).
    - Requires that all transactions for year be posted (e.g. acquisition, transfer, settlement, retirement, depreciation, etc.)
    - Is similar to month end process, however, has additional year end processing steps:
        - AA/GL reconciliation – generally, this should be part of a month end closing process. There should not an AA/GL out of balance (i.e. this is an integrated system and there are controls put in place to disallow direct posting to the General Ledger for asset balance sheet accounts). IF there are differences, these must be immediately investigated and resolved. Depending on the type of error, it may prevent the year end closing.
        - Housekeeping of unnecessary asset shells (e.g. block, consider renaming with 'Z' preface in description, etc.)
        - Asset transactions required:
            – Recalculate Depreciation
            – Fiscal Year Change
            – Year End Closing

Asset: Recalculate Depreciation

Capital Assets:

- Asset transaction required:

  - **Recalculate Depreciation:**

    - Recalculates planned annual depreciation (e.g. changes made to depreciation keys, custom changes made which impact data relevant to depreciation calculations)

    - Can also be scheduled as part of the month end financial calendar

    - Must be run for the entire company prior to the final depreciation run

    - Often is a scheduled 'job'

    - 'Test run' functionality enables review and correction of errors prior to the update posting (can be asset specific or entire company)

    - Processing log identifies the asset master details. It must be:

      » reviewed – if errors occurred, must be addressed and resolved
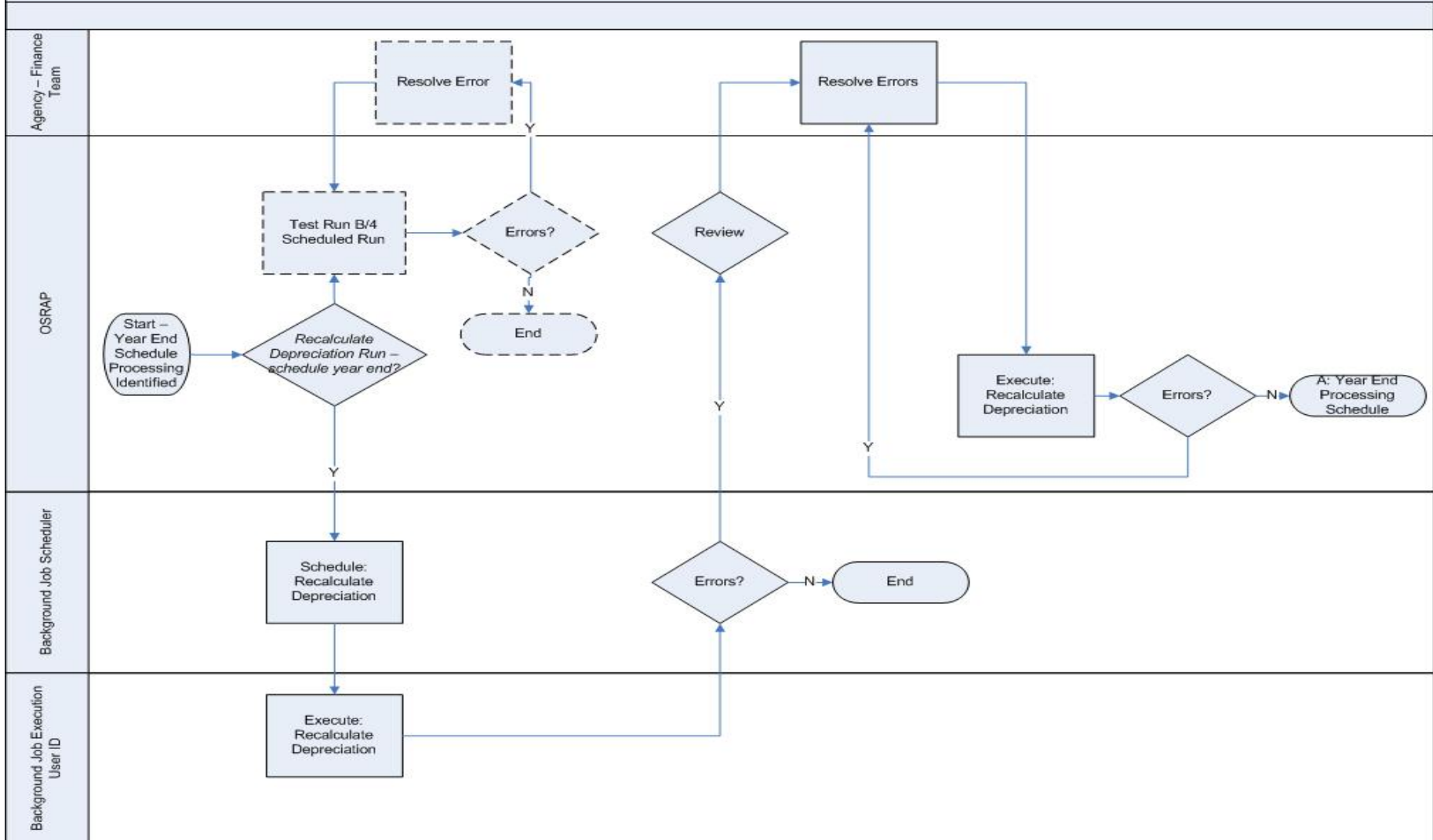
      » stored – this is your audit trail

- Low Value Assets:

  - Not applicable

Asset: Recalculate Depreciation

TO-BE HIGH LEVEL PROCESS: AA Year End Closing – Recalculate Depreciation

Asset: Fiscal Year Change

- Capital Assets:
  - Asset transaction required:
    - **Fiscal Year Change:**
      - 'technical' processing step which 'opens' the new asset fiscal year for postings. *NOTE: corresponding requirement for FI - open fiscal period*
      - Impact seen on the Asset Values Tab:
        - » Opening balances updated for each asset
        - » Defaults to the new fiscal year
      - Must be run for the entire company
      - Often is a scheduled 'job'
      - 'Test run' functionality enables review and correction of errors prior to the update posting
      - Processing log identifies the status. It must be:
        - » reviewed – if errors occurred, must be addressed and resolved
        - » stored – this is your audit trail

- Low Value Assets:
  - Not applicable

Asset: Fiscal Year Change

TO-BE HIGH LEVEL PROCESS: AA Year End Closing – Fiscal Year Change
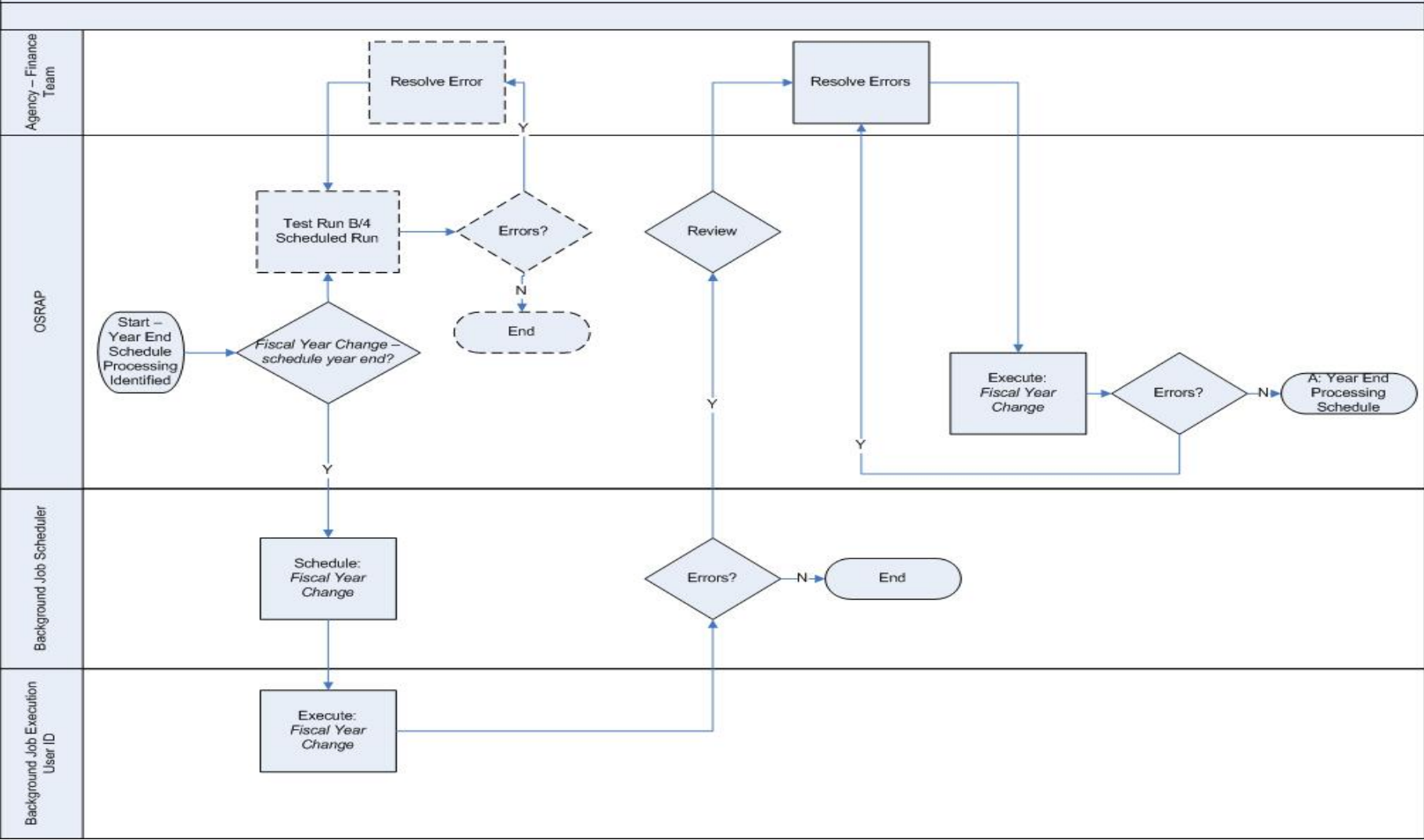
Asset: Year End Closing

- Capital Assets:
  - Asset transaction required:
    - **Year End Closing:**
      - Is a 'technical' processing step which 'closes' the asset fiscal year for postings or value changes. *NOTE: corresponding requirement for FI - close fiscal period*
      - Must be run for the entire company
      - Often is a scheduled 'job'
      - 'Test run' functionality enables review and correction of errors prior to the update posting
      - Processing log identifies the status. It must be:
        - » reviewed – if errors occurred, must be addressed and resolved
        - » stored – this is your audit trail

- Low Value Assets:
  - Not applicable

Asset: Year End Closing

TO-BE HIGH LEVEL PROCESS: AA Year End Closing – Execute Year End Closing
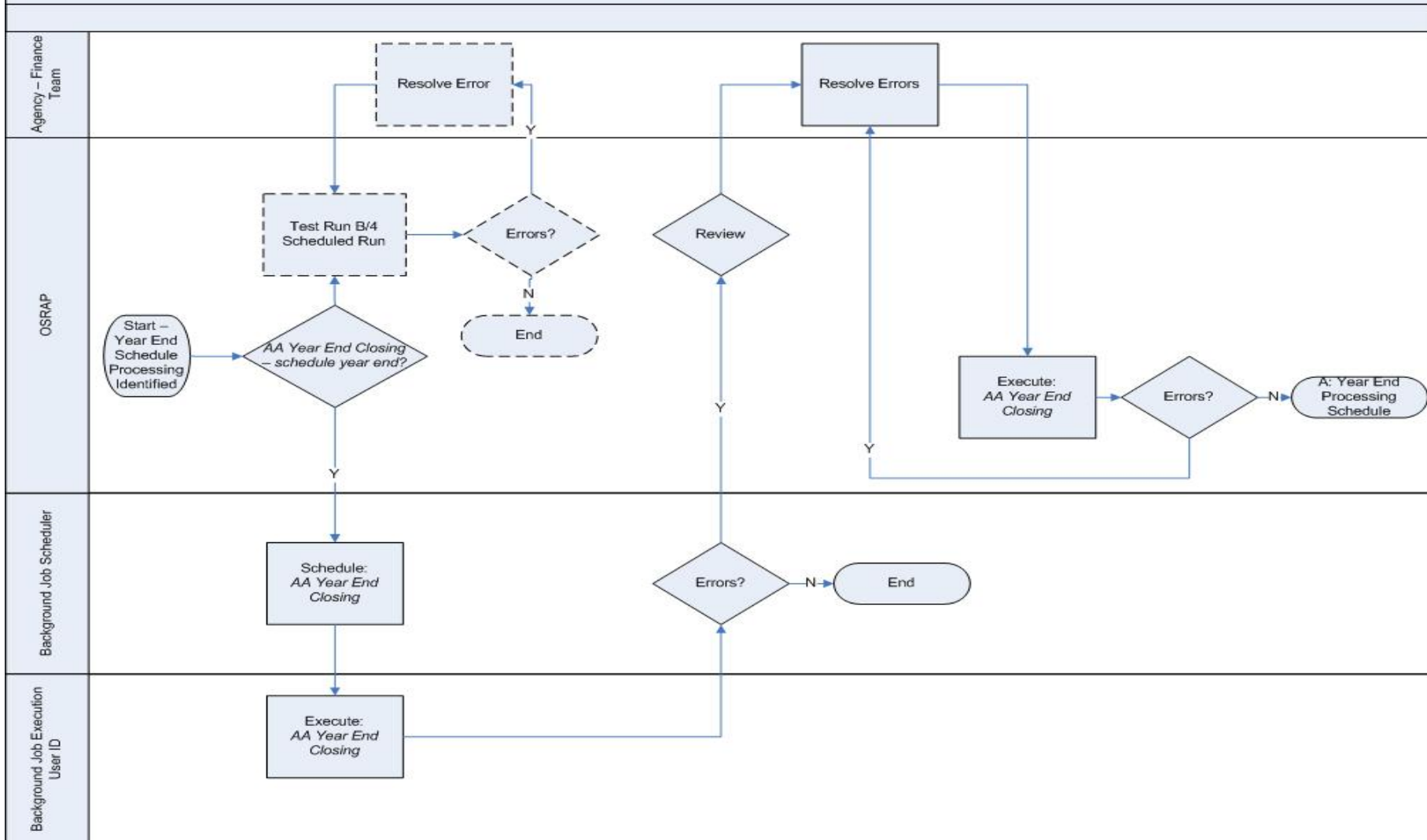
Other Processes

- Capital Assets:
  - Settlement: WBS to AUC
    - Month end process (will be discussed in PS: Periodic Processing)
  - Settlement: AUC to final AMR
    - Typically, month end process (will be discussed in PS: Periodic Processing)
  - Unplanned Depreciation:
    - As required (e.g. impairment)
      - Agency initiates process, OSRAP confirms, Agency Finance Team does posting
  - Write-up:
    - As required – should very seldom (if ever) be required:
      - Agency initiates process, OSRAP confirms, Agency Finance Team does posting
- Low Value Assets:
  - Not applicable

Asset - Conversion Considerations

- ## Generally, not applicable:
  - Mid year conversion will have additional requirements

- ## Asset Data Takeover / GL Balances / Depreciation Postings:
  - Conversion values of assets and General Ledger Balance sheet values – may require adjustments to General Ledger
  - Post go-live depreciation calculations may vary from prior years due to the calculation formulas used

Asset - Reporting Requirements

- **SAP provides very robust reports for asset values and depreciation**
  - Are there any specific reports that need to be reviewed for SAP compatibility?

…. SAP Security Considerations

SAP Security Considerations

- **What considerations must be made for access restriction?**
  - Transactions:
    - Should be limited to OSRAP personnel and Technical staff who set up processing jobs. Often the processing job is run with a special background processing ID.
      - Day End:
        - » APC Values Posting
      - Month End:
        - » Depreciation Run
        - » Depreciation Log
      - Year End:
        - » Recalculate Depreciation
        - » Fiscal Year Change
        - » Year End Closing
    - May also be provided to agency financial personnel?
      - » Depreciation Log

Process Improvement Opportunities
(Pain Points)

- Opportunity to have Accounting and Project processes interact directly with Assets.

- Opportunity to build financial reporting, such as CAFR, in a more centralized and more automated manner.

- Depending on level of AMR detail - a more discrete asset record maintained (e.g. more useful for GASB 42 analysis)

FI-AA-07 Asset: Periodic Processing

Process Improvement Opportunities
(Pain Points)

- 'Homogenized' business processes
- Consolidation of tangible assets with financials
- Report consolidation

Leading Practices

- Asset Master Record Create/Update – business processes procedure to ensure data elements and values are updated appropriately
  - Restrict access only as required…
    - If too restrictive will become a 'maintenance' challenge
- Disallow direct journal postings to asset reconciliation accounts (i.e. all fixed asset financial updates must be done via the asset sub-ledger)
- Consistent handling of assets across the portfolio
- Limit access to sensitive transactions (e.g. asset valuation changes or corrections)

Next Steps

- Prepare and send out meeting minutes to invitees.

- Draft Design Document is prepared.

- Follow up on action items identified during the workshop.

- Schedule off-line meeting (s) to discuss areas of special concern

- Plan follow on workshops, as required.

- Plan validation workshop.

- Ensure all to-do's are appropriately documented

LAGov Asset Accounting Contact

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Questions?

FI-AA-07 Asset: Periodic Processing